

Message Text

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ORIGIN XMB-07

INFO OCT-01 AF-10 ADP-00 AID-20 CIAE-00 COME-00 EB-11

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FM SECSTATE WASHDC

TO USINT ALGIERS

UNCLAS STATE 043574

E. O. 11652 N/ A

TAGS: EFIN- AG

SUBJECT: EL ABED

REF: ALGIERS 546

FOR KELLER FROM MORAN

1. PC ISSUED BY EXIM TO DRAVO FOR EL ABED PROJECT PROVIDED FOR 6 YEAR REPAYMENT TERM WITH COMMERCIAL LENDER TO BE REPAID FROM FIRST 3 YEARS. SONAREM'S LOAN APPLICATION REQUESTED 8 YEAR REPAYMENT TERM. NO ENCOURAGEMENT WAS GIVEN THAT EXIM WOULD APPROVE LONGER TERM THAN PROVIDED FOR IN PC. NEVER-THELESS SONAREM AND BNA ARRANGED FOR LOAN FROM PHILADELPHIA NATIONAL BANK (TO BE MADE TO BNA FOR RELENDING TO SONAREM) WITH REPAYMENT TERM OF 4 YEARS, PRESUMABLY ON THE ASSUMPTION EXIM WOULD AGREE TO LONGER TERM OR WOULD BE FORCED INTO GIVING LONGER TERM WHEN FACED WITH TERM AGREED TO BY PNB. AS FAR AS WE CAN TELL, PNB NEVER SAW COPY OF EXIM PC PRO-UNCLASSIFIED

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VIDING FOR 3 YEAR REPAYMENT TERM ON COMMERCIAL BANK LOAN.

2. EXIM AUTHORIZED LOAN WITH 3 YEAR REPAYMENT TERM WITH FIRST INSTALLMENT DUE 2-10-79, ABOUT THE SAME DATE IT WOULD HAVE BEEN DUE IF COMMERCIAL BANK REPAYMENT TERM WERE 3 YEARS. THUS, REPAYMENT OF EXIM LOAN WILL BEGIN BEFORE PNB LOAN FULLY REPAID AND OVERALL REPAYMENT PERIOD WILL REMAIN 6 YEARS. EXIM DOES NOT OBJECT TO 4 YEAR REPAYMENT TERM OF PNB LOAN BUT WILL NOT AGREE TO LATER DUE DATE FOR FIRST INSTALLMENT ON EXIM LOAN.

3. FYI ANOTHER PROBLEM WE ARE HAVING WITH BNA AND SONAREM ON THIS CASE INVOLVES 10 PERCENT CASH PAYMENT. PNB LOAN IS FOR 55 PERCENT OF US COSTS. WE DO NOT OBJECT TO PNB'S PROVIDING FINANCING FOR CASH PAYMENT, BUT FUNDS FOR CASH PAYMENT MUST COME FROM NON- US SOURCES (SUCH AS PNB BRANCH OUTSIDE US).

4. SONAREM AND BNA FEEL THAT SINCE PNB LOAN IS TO BNA NOT SONAREM AND SINCE EXIM NOT GUARANTEEING PNB LOAN WE SHOULD NOT REQUIRE 10 PERCENT TO COME FROM OFFSHORE SOURCES. WE DISCUSSED THIS (AND OTHER PROBLEM) WITH NOUIOUA WHEN HE WAS HERE RECENTLY. BNA TELEXED EXIM MARCH 5 ON CASH PAYMENT MATTER; OUR RESPONSE (TO RACHID AOUS) SAID WE DO NOT ACCEPT THAT PNB LOAN TO BNA MEETS " FIRM AND LONG- ESTABLISHED EXIM REQUIREMENT" THAT BORROWER MAKE CASH PAYMENT FROM NON- US FUNDS. ROGERS

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